Financial Statements and Additional Information

Years Ended June 30, 2005 and 2004

# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Issued under P.A. 2	of 1968	3, as ame	nded.	o itch	OIL				
	Type Towns	hip [	Village	✓Other	Local Government Na Grand Haven-	<sub>me</sub> Spring Lake Se	wer Authority	Count Otta	•
Audit Date 6/30/05			Opinion 10/5/0		Date	Accountant Report Su 28/05			
					local unit of governmental Accounting of Government in				
1. We have cor	mplie	d with ti	he <i>Bulleti</i>	in for the Au	dits of Local Units	of Government in	<i>Michigan</i> as revis	sed .	
					I to practice in Mich		•		
We further affirm comments and re	the f	ollowing mendat	g. "Yes" r	esponses h	ave been disclosed	in the financial st	atements, includ	ling the notes	, or in the report o
ou must check to	he ap	plicable	box for	each item b	elow.				
Yes ✓ No	<b>)</b> 1	. Certa	ain compo	onent units/	funds/agencies of t	ne local unit are e	xcluded from the	financial sta	itements.
Yes ✓ No		. There			leficits in one or m				
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Yes ✓ No	4.	The I	ocal unit ements,	has violate or an order	ed the conditions issued under the E	of either an orde mergency Municip	r issued under oal Loan Act.	the Municipa	l Finance Act or
_Yes ✓ No	5.	The id	ocal unit	holds depo	sits/investments w ], or P.A. 55 of 198	hich do not comp	lv with statutory	requirement	s. (P.A. 20 of 194
Yes ✓ No	6.				linquent in distribut			ed for another	r taxing unit
]Yes <b>[</b> ✓ No		The lo	ocal unit on benefi	has violate	d the Constitutiona costs) in the currer cormal cost requirer	ıl requirement (Ar ıt vear. If the plan	ticle 9, Section	24) to fund o	current year earns
Yes ✓ No	8.	The lo		uses credit	cards and has no				
Yes ✓ No	9.	The lo	cal unit h	as not adop	ted an investment p	policy as required	by P.A. 196 of 1	997 (MCL 12!	9.95).
e have enclosed	d the	followi	ing:				Enclosed	To Be Forwarded	Not Required
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rtified Public Accounts	ant (Fir	m Name)							<b>Y</b>
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November 1, 2005

Honorable Mayor and City Council Grand Haven-Spring Lake Sewer Authority Board

It is with great pleasure that we present the Grand Haven-Spring Lake Sewer Authority Annual Financial Report for the fiscal year ended June 30, 2005. This is the third report using the new reporting model as prescribed by the Governmental Accounting Standards Board (GASB) in their Statement 34.

As the City of Grand Haven, by contract, is the fiscal agent for the Sewer Authority, this report has been prepared by the financial services staff of the City of Grand Haven with the assistance of the Wastewater Superintendent. City Administration holds full responsibility for the completeness and accuracy for all statements, schedules, notes and analysis herein. To provide a reasonable basis for making these representations, City Administration has maintained a system of internal controls to protect Sewer Authority assets from theft, loss, or misuse and to compile reliable information for the presentation of our financial statement in conformity with generally accepted accounting principles. The cost of internal controls should not exceed the benefit received; therefore the internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As City Administration, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

### The Reporting Entity

The Sewer Authority was established in 1970 by agreement between the City of Grand Haven and the Village of Spring Lake to provide regional wastewater treatment. The City of Ferrysburg and the Township of Spring Lake joined the Authority in 1982 and the Charter Township of Grand Haven joined in 1986. In 1972, the current wastewater treatment plant was built and over the years has been upgraded and modified to its current capacity. The Authority serves a population of over 20,000 and presently operates at an average capacity of 50%.

The City of Grand Haven also provides contractual management and financial administration to the following organizations:

Northwest Ottawa Water Treatment Plant, a joint venture of Northwest Ottawa County local units of government, and

Ottawa County Central Dispatch Authority, a component unit of Ottawa County

The financial reports of these entities as well as the City of Grand Haven are reported elsewhere and are not included here.

#### **Budgeting and Financial Planning**

As part of the City's financial planning process, the Sewer Authority Board adopts an annual budget including a five year Capital Improvement Plan. These two documents address the Authority's strategy to improve the operations and maintain the wastewater plant. The budget document is included within the City of Grand Haven annual budget to provide comprehensive public presentation and provides the financial framework for planning and control, as well as defining the Authority's role for the future. The Capital Improvement Plan provides the Board and staff with a strategy for future major capital items and related financial resources that will be required over the next five years to implement the Board's vision.

The budget process normally begins in late fall with a goal-setting session. The Wastewater Superintendent, the Grand Haven City Finance Director and the City Manager, working as a Budget Committee, draft the budget on a line item basis, considering capital and operational priorities separately and combining both into a preliminary budget document. The Sewer Authority Board adopts the Authority's budget.

After the close of the fiscal year, the Financial Statements are prepared to report on the financial condition of the Authority and the fiscal results of its operations. Included in the report are comparisons of actual revenues and expenditures for the audited year and the immediately prior year.

## **Economic Condition and Outlook**

The current national and state economic conditions present employment challenges for displaced employees and the local economy as a whole. However, economic forecasters indicate an improvement in conditions is anticipated for 2005 and later.

The Sewer Authority noted a continuing decline in services provided to the local municipalities, especially evident in the continuing reduction of wastewater infiltration into local unit sewer collection lines. This is compounded by the lower water table presently being experienced and by reduced Lake Michigan water levels. However, the Sewer Authority notes a continuing population increase in the townships and service expansion without a near-term major capital initiative.

## Fiscal Year 2004-05 Initiatives

Treated 1,290 million gallons of wastewater received from the Sewer Authority service area.

Installed force main bypass for the Local Pumping Station.

Enclosed on site generator.

Rebuilt pump #2 at Spring Lake Pump Station.

Installed wireless alarm systems for both the Grand Haven and Spring Lake Pump Stations.

Replaced Local Pump Station back up pump.

## **New Reporting Model Format**

The format of the Financial Statements using GASB Statement 34 guidelines is significantly different from years prior to June 30, 2003. The objective of the new model is to increase the accountability of the Authority by providing more useful information to a wider range of users. A few of the more significant changes include:

- Certain financial information has been moved from the transmittal letter to the Management Discussion and Analysis (MD&A). This provides a more in-depth review and discussion of the Authority's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Many of the key financial topics are covered by the MD&A, which can be found immediately after the auditor's opinion letter.
- Continuing the appropriate accounting basis for enterprise funds, the Sewer Authority statements are presented on a full accrual basis of accounting. The full accrual method addresses overall operating results and the financial position of the Authority as an economic entity as is done in the private sector.
- An initiative during Fiscal Year 2002-03 to verify all Sewer Authority assets was not required under GASB 34, but serves as a foundation for future reports.
- The Sewer Authority is only one operating fund, a proprietary fund.

Once readers understand how the new model works, the new format will most probably be preferred because of the additional information available. The Sewer Authority report is significantly less complex than other municipal reports due to the single fund included in the report and the proprietary fund format.

#### **Independent Audit**

State statute and the various local unit charters require an annual financial audit by an independent certified public accountant. In May 2003, City Council selected the accounting firm of BDO Seidman, Certified Public Accountants, who provided auditing services for the first years of the engagement. In the summer of 2004, BDO Seidman sold its Muskegon office to former BDO partners. Pridnia LaPres, PLLC provides the same auditing staff originally provided by BDO Seidman and at the same cost.

### **Acknowledgments**

The work of preparing the financial report has required the help and assistance of many people. The staff of the City of Grand Haven Finance and City Treasurer Departments in particular spent many hours working on this project. Susan LaPage, Accounting Supervisor, deserves special thanks for her efforts in organizing and directing the audit preparation work.

Sincerely,

Patrick McGinnis City Manager 616 847-4888 Pmcginnis@grandhaven.org

James P. Bonamy, CPFA Finance Director 616 935-3214 jbonamy@grandhaven.org



3145 Henry Street, Ste. 200 Muskegon, MI 49441-4052 Tel: 231-739-9441 fax: 231-733-0031 www.pridnialapres.com

## **Independent Auditors' Report**

To the Board of Trustees Grand Haven-Spring Lake Sewer Authority Grand Haven, Michigan

We have audited the financial statements of the Grand Haven-Spring Lake Sewer Authority as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the Grand Haven-Spring Lake Sewer Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Grand Haven-Spring Lake Sewer Authority as of June 30, 2004 were audited by other auditors whose report thereon, dated October 6, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Haven-Spring Lake Sewer Authority as of June 30, 2005 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

October 5, 2005

Priduia CaPres, PUC

## 1) Financial Highlights

- a) The Grand Haven-Spring Lake Sewer Authority (the "Authority") operates a wastewater treatment facility and certain collection lines for the Northwest Ottawa communities of Grand Haven, Spring Lake, Ferrysburg, Grand Haven Township and Spring Lake Township and ended the fiscal year in good financial position. Overall debt was lower due to annual bond payments.
- b) Business-type activities net assets decreased by \$161,630 to \$6,895,108.
- c) Total operating expenses for business-type activities totaled \$1,559,772.

## 2) Overview of Financial Statements

a) Overall financial picture.

The financial statements provide one view of the Authority's financial position using the full accrual method of accounting. This method of accounting is similar to private sector for-profit accounting.

Statement of Net Assets

The Statement of Net Assets provides information on assets, liabilities and the difference between assets and liabilities, which is called net assets. Over time, increases and decreases in nets assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The Statement of Net Assets is similar to a balance sheet in private sector accounting.

ii) Statement of Activities

The Statement of Activities suggests the underlying causes of the change in net assets. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital projects. Capital projects are reported on the Statement of Net Assets.

b) Notes to the Financial Statements

Immediately after the financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of the Authority.

### 3) Financial Analysis

a) Net Assets

The Statement of Net Assets provides an overview of the Authority's assets, liabilities and net assets. As mentioned above, over time, this can provide a good indicator of the Authority's fiscal health. A comparative analysis has been presented.

On the next page is a summarized version of the Statement of Net Assets:

### **Net Assets**

June 30,	2005	2004
Current and other assets	\$ 540,281	\$ 459,029
Capital assets	6,946,569	7,485,432
Total assets	\$ 7,486,850	\$ 7,944,461
Long-term debt	\$ 304,284	\$ 358,570
Other liabilities	287,458	529,153
Total liabilities	\$ 591,742	\$ 887,723
Net assets		
Invested in capital assets, net of related debt	\$ 4,787,540	\$ 4,752,756
Restricted	1,779,745	2,044,106
Unrestricted	327,823	259,876
Total net assets	\$ 6,895,108	\$ 7,056,738

The total net assets of the Authority are \$6,895,108, however, \$4,787,540 represents investment in capital assets including infrastructure. Of the more liquid assets, \$1,779,745 is restricted. The Authority has \$327,823 in unrestricted net assets. Total net assets decreased by \$161,630 in FY2005.

Significant changes in net assets are shown in the table on the next page.

#### b) Changes in Net Assets

### **Changes in Net Assets**

Years ended June 30,	2005	2004
Revenue		
Program revenues		
Sewage disposal services	\$ 1,281,676	\$1,317,431
Other	3,595	6,799
Total Operating Revenue	\$ 1,285,271	1,324,230
Expenses		
Plant operations and charges	\$ 893,799	\$ 916,788
Administrative	332,429	309,819
Depreciation	333,544	329,580
Total Operating Expenses	\$ 1,559,772	<b>\$ 1,556,187</b>
Non-Operating Revenue (Expense)		
Debt service charge	\$ 100,382	\$ 320,977
Contributions from customers	24,000	24,000
Interest income	32,499	17,466
Interest expense	(23,296)	(29,942)
Other non-operating expenses	(20,714)	(20,714)
Total Non-Operating Revenue	<b>\$</b> 112,871	\$ 311,787
Change In Net Assets	\$ (161,630)	\$ 79,830
Net Assets, beginning of year	\$ 7,056,738	\$ 6,976,908
Net Assets, end of year	\$ 6,895,108	\$ 7,056,738

### 4) Financial Analysis of the Authority

The Authority had a net loss of \$161,630, a decrease of \$241,460 from the prior year. The decrease primarily consists of a \$38,959 reduction in operating and other revenue, a \$220,595 reduction in debt service charges to units and a \$15,033 increase in interest earnings. Debt service charges were reduced based on the retirement of 1998 Series B refunding bonds. Overall fund expenditures were within budget.

#### 5) Capital Assets and Debt Administration

#### a) Capital assets

i) Summary of capital assets

The Authority has \$5,166,824 invested in capital assets net of depreciation. Capital assets include all purchases of assets that exceed \$1,000 and have an expected useful life of greater than one year. Capital assets include: land, land improvements, buildings, equipment and utility systems such as sewer lines. The Authority uses straight line depreciation for all depreciable assets. In FY2005, capital assets decreased by \$274,502 in business-type activities.

b) More detailed information about changes in capital assets can be found in Note 3 of the footnotes.

### 6) Debt

The Authority had \$379,284 in debt outstanding as of June 30, 2005. Note that 1998 Series B refunding bond has been paid in full during the fiscal year.

In Note 5 of the footnotes more detailed information on debt and other obligations can be found.

#### 7) Economic Forecast

The Authority has one main source of revenue, utility charges. Utility sales, while affected by the economy, experience larger swings of revenue from changes in weather conditions. During wet spells, wastewater treatment sales increase due to infiltration into the collection system. For the FY2005-06 budget, Administration anticipates that sales will be roughly equal to FY2004-05 volumes.

#### 8) Contacting the Authority's Financial Management Staff

The City of Grand Haven, by contract, is the fiscal administrator of the Authority. This financial report is designed to provide individuals interested in the Authority's financial position, such as citizens, taxpayers, customers, and investors and creditors, with a general overview of the Authority's finances and to show the Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact us at 519 Washington Avenue, Grand Haven, MI 49417, or call or e-mail us as noted below:

Patrick McGinnis City Manager 616 847-4888 pmcginnis@grandhaven.org

James P. Bonamy, CPFA Finance Director 616 935-3214 jbonamy@grandhaven.org

June 30,	2005	2004
Assets		200
Current Assets Cash and cash equivalents (Note 2) Due from other governmental units Inventories	\$ 235,897 298,190 6,194	\$ 235,695 217,023 6,311
Total Current Assets	540,281	459,029
Long-Term Assets Capital assets (Note 3) Restricted assets (Note 4)	5,166,824 1,779,745	5,441,326
Total Long-Term Assets	6,946,569	2,044,106 7,485,432
otal Assets	\$7,486,850	\$7,944,461

## Statements of Net Assets

	2005	2004
June 30,	2005	2004
Liabilities and Net Assets		
Current Liabilities Current maturities of long-term debt (Note 5)	\$ 75,000	\$ 330,000
Due to other governmental units	_	3,947
Billing adjustment Other	16,932	45
Accounts payable	83,718	72,259
Accrued and other liabilities	111,808	122,902
Total Current Liabilities	287,458	529,153
Long-Term Debt – less current maturities (Note 5)	304,284	358,570
Total Liabilities	591,742	887,723
Net Assets Invested in capital assets, net of related debt	4,787,540	4,752,756
Net Assets	1,779,745	2,044,106
Reserved for restricted assets (Note 4) Unreserved	327,823	259,876
Official vod		
Total Net Assets	6,895,108	7,056,738
Total Liabilities and Net Assets	\$7,486,850	\$7,944,461

# Statements of Revenue, Expenses, and Changes in Net Assets

Years ended June 30,	2005	2004
Operating Revenue		
Sewage disposal charges	\$1,281,676	\$1,317,431
Other	3,595	6,799
Total Operating Revenue	1,285,271	1,324,230
<b>Operating Expenses</b>		
Plant operations and charges	893,799	916,788
Administrative	332,429	309,819
Depreciation	333,544	329,580
Total Operating Expenses	1,559,772	1,556,187
Operating Loss	(274,501)	(231,957)
Non-Operating Revenue (Expense)		
Debt service charge	100,382	320,977
Contributions from customer	24,000	24,000
Interest income	32,499	17,466
Interest expense	(23,296)	(29,942)
Other non-operating expenses	(20,714)	(20,714)
Total Non-Operating Revenue	112,871	311,787
Change in Net Assets	(161,630)	79,830
Net Assets - Beginning of year	7,056,738	6,976,908
Net Assets – End of year	\$6,895,108	\$7,056,738

## Statements of Cash Flows

Years ended June 30,	2005	2004
Cash Flows from Operating Activities Operating loss	D (254.504)	Ф ( <b>2</b> 21.055)
Adjustments to reconcile operating loss to net cash provided by operating activities:	\$ (274,501)	\$ (231,957)
Depreciation Changes in assets and liabilities:	333,544	329,580
Due from other governmental units Inventory	(29,983) 117	28,906 (563)
Due to other governmental units Accounts payable	12,940 11,459	(30,144) 8,572
Accrued and other liabilities	(11,094)	(7,161)
Net Cash Provided by Operating Activities	42,482	97,233
Cash Flows from Non-Capital and Related Financing Activities		
Contributions from constituent municipalities Purchase of capital assets	24,000 (59,042)	24,000 (97,623)
Net Cash Used for Non-Capital and Related Financing Activities	(35,042)	(73,623)
Cash Flows from Capital and Related Financing Activities Principal and interest paid on long-term debt Proceeds from debt service charge	(353,296) 100,382	(349,942) 320,977
Net Cash Used for Capital and Related Financing Activities	(252,914)	(28,965)
Cash Flows from Investing Activities Interest received on investments	32,499	17,466
Net Increase (Decrease) in Cash and Cash Equivalents	(212,975)	12,111
Cash and Cash Equivalents, Beginning of year	2,210,934	2,198,823
Cash and Cash Equivalents, End of year	\$1,997,959	\$2,210,934

## Statements of Cash Flows

Years ended June 30,	2005	2004
Statement of Net Assets Classification of Cash and Cash Equivalents Cash and cash equivalents	\$ 235,897 1,762,062	\$ 235,695 1,975,239
Restricted assets (Note 4)  Total	\$1,997,959	\$2,210,934

During the years ended June 30, 2005 and 2004, there were no non-cash investing, capital, and financing activities.

# Notes to Financial Statements

#### 1. Summary of Significant Accounting **Policies**

The Grand Haven-Spring Lake Sewer Authority (the "Authority") is incorporated under the terms of Act 233, Public Acts of Michigan of 1955 for the purpose of constructing, owning, and operating a sewage disposal system for its constituent municipalities: the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, the Township of Spring Lake, and the Township of Grand Haven. The accrual basis of accounting is used in preparing the financial statements.

Under a contract executed in 1974 and subsequently amended, the City of Grand Haven (the "City") is operating and maintaining the plant. Monthly operating expenses are billed by the City to the constituent municipalities for their proportionate shares of those Sewage disposal revenue also includes charges of \$59,042 and \$97,623 for costs that have been capitalized in June 30, 2005 and 2004, respectively.

## Cash Equivalents

Cash equivalents consist of highly liquid investments, including certificates of deposit, with an original maturity of three months or

## **Inventories**

Inventories are valued at cost, on a first-in, first-out basis, which

## Capital Assets

Capital assets are recorded at cost. Depreciation is computed on a straight-line method based on the estimated useful lives of the related assets. Costs of maintenance and repairs are charged to expense when incurred.

Wastewater plant, wastewater mains and equipment are depreciated using the straight-line method over the following

Wastewater treatment plant and pumping stations	10-40
Office, laboratory, and transportation equipment	40 5-40

## **Notes to Financial Statements**

## 2. Cash and Investments

### **Deposits**

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

## Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a deposit policy for custodial credit risk. At June 30, 2005, \$1,797,959 of the Authority's bank balances of \$1,997,959 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized: \$1,797,959

#### **Investments**

### Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty or bank, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority was not exposed to custodial credit risk related to investments.

### Credit Risk

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by a state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments.

## **Notes to Financial Statements**

The authority had no investment policy that would further limit its investment choices.

## Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

## 3. Capital Assets

## Capital assets consist of the following:

		Balance July 1, 2004	Addition	ns	Disposa	ıls	Balance June 30, 2005
Capital assets not depreciated Land	\$	575,210	\$	_	\$	_	\$ 575,210
Capital assets being depreciated	0				•		, , , , , , , , , , , , , , , , , , , ,
Wastewater pumping stations		,911,440	14,33			-	8,925,778
Wastewater pumping stations Wastewater mains	1	,101,314	36,02	.8		-	1,137,342
Office, laboratory, and		560,724		-		-	560,724
transportation equipment		98,515	8,67	6		-	107,191
Accumulated depreciation	10	,671,993	59,04	2		_	10,731,035
Wastewater treatment plant	4.	728,886	259,40	ი		_	4,988,286
Wastewater pumping stations	• •	622,123	48,53			_	670,659
Wastewater mains		416,392	14,01			_	430,410
Office, laboratory, and transportation equipment		38,476	11,59			_	50,066
	5,	805,877	333,54	4		_	6,139,421
Net Capital Assets Being Depreciated	4,	866,116	(274,502	2)		_	4,591,614
Net Capital Assets	\$ 5,	441,326	\$(274,502	2)	\$		\$ 5,166,824

## **Notes to Financial Statements**

4.	Restricted Assets	Destricted assets consist of the follow	.i			
7.	Restricted Assets	Restricted assets consist of the follow <i>June 30</i> ,	mg.	2005	2004 \$1,975,239 68,867 \$2,044,106	
		Cash and cash equivalents Due from other governmental units	\$	1,762,062 17,683		
		Total Restricted Assets	\$	1,779,745		
		These assets are restricted for the follows:	owii		S:	
		June 30,		2005		2004
		Debt service Capital improvements Eagle Ottawa Operating Agreement	\$	174,429 703,923 901,393	\$	505,863 677,263 860,980
		Total	<b>\$</b> :	1,779,745	\$2	2,044,106
5.	Long-Term Debt	Outstanding Debt  Long-term debt consists of the following:				
		_	ıng:			
		June 30,		2005		2004
		Contract payable to Ottawa County for 4.3% to 4.6% sewage treatment plant improvement bonds – 1998 Series A	\$	400,000	\$	470,000
		Contract payable to Ottawa County for 4.3% sewage treatment plant improvement bonds – 1998 Series B		_		260,000
		Less deferred charge on refunding		(20,716)		(41,430)
		common charge on returning		379,284		688,570
		Logo comment materials		-		ŕ
		Less current maturities	. 1.000	(75,000)	-	(330,000)
			\$	304,284	\$	358,570

## **Notes to Financial Statements**

### Changes in Long-Term Debt

The following is a summary of long-term debt transactions:

### Years ended June 30, 2005 and 2004

Long-term debt – July 1, 2003	\$ 987,856
Debt retired	(320,000)
Amortization of deferred charge	20,714
Long-term debt – June 30, 2004	688,570
Debt retired	(330,000)
Amortization of deferred charge	20,714
Long-term debt – June 30, 2005	\$ 379,284

## **Debt Service Requirements**

The annual requirements to service all debt outstanding as of June 30, 2005, including both principal and interest, are as follows:

Year ended June 30,	Principal	Interest		
2006	\$ 75,000	\$16,405		
2007	75,000	13,068		
2008	80,000	9,580		
2009	80,000	5,960		
2010	90,000	2,070		
Total	\$400,000	\$47,083		

### **Debt Charges**

The Authority receives a debt charge from participating communities for the 1998 contract payable to Ottawa County based on volume of sewage treated for those communities. The Authority and the applicable participating communities have pledged their full faith and credit on the contracts payable to Ottawa County.

## **Notes to Financial Statements**

### 6. Pension Plan

### **Plan Description**

The Authority participates with the City of Grand Haven in the Michigan Municipal Employees' Retirement System (MMERS), a defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917, or by contacting the City of Grand Haven Finance Offices.

### **Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's collective bargaining units. For the year ended June 30, 2005, required employee and employer contributions were suspended due to the overfunded status of the City's actuarial accrued liability.

#### Three-Year Trend Information

Funding information for the Authority's participation in the pension plan is as follows:

Years ended June 30,	 2003	2004	2005
Annual pension cost (APC) Percentage of APC contributed	\$ - 100%	\$ 100%	\$ - 100%
Net pension obligation	\$ -	\$ -	\$ 10070

## **Notes to Financial Statements**

## 7. Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority participates in the Michigan Municipal League risk pool for workers' compensation and general liability insurance. The Authority has purchased commercial insurance for medical benefits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

# Additional Information

To the Board of Trustees Grand Haven-Spring Lake Sewer Authority Grand Haven, Michigan

We have audited the financial statements of the Grand Haven-Spring Lake Sewer Authority for the year ended June 30, 2005. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Grand Haven-Spring Lake Sewer Authority. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The additional information on the following pages for the year ended June 30, 2004 was audited by other auditors, whose report on the additional information dated October 6, 2004, expressed an unqualified opinion on the additional information for that year.

Puduia LaPres PUC Certified Public Accountants

October 5, 2005

## Plant Operations and Charges

Years ended June 30,	2005	2004
Sludge removal	9317 C10	
Wastewater treatment	\$217,648	\$201,681
Laboratory	173,755	186,720
Secondary treatment	182,323	190,526
Building and grounds	115,717	99,503
Pumping station	46,620	53,192
Grand Haven		
Spring Lake	32,693	41,486
Wastewater primaries	52,220	56,925
Phosphate removal	9,722	13,184
Chlorination	38,845	36,904
Dechlorination Dechlorination	8,626	11,427
Grit and screening	7,229	5,878
Wastewater thickeners	4,818	7,805
	1,727	2,759
Sludge storage	1,856	8,798
	\$893,799	\$916,788

## Analysis of Amount Available for Debt Retirement

Years ended June 30,	2005	2004
Change in Net Assets	\$(161,630)	\$ 79,830
Add		
Depreciation	333,544	329,580
Interest and paying agent fees expensed	23,296	29,942
Amortization of deferred charge on refunding	20,714	20,714
Deduct		
Payments from Eagle Ottawa for separation agreement from constituent municipalities and other contractual obligations	(24,000)	(24,000)
Amount Available for Bond and Interest Redemption	191,924	436,066
Requirements		
Principal	75,000	330,000
Interest and paying agent fees (cash basis)	16,405	25,150
Funds Used for Bond and Interest	91,405	355,150
Amount in Excess of Requirements	\$ 100,519	\$ 80,916